



March 8, 2023

Via ECF

All BlockFi Stakeholders

Re: In re BlockFi Inc. - Wallet Withdrawal Motion [Docket No. 121]

**This is a letter to all stakeholders from the Debtors, the Official Committee of Unsecured Creditors, the Ad Hoc Committee, and Deferred 1031 regarding the Debtors' Wallet Withdrawal Motion.**

On November 10, 2022, at 8:16 p.m. (prevailing Eastern Time), BlockFi publicly announced via Twitter and Reddit that it was “limiting platform activity, including pausing client withdrawals as allowed under [BlockFi’s] Terms.” BlockFi’s position is that the pause of all activity on its platform took immediate effect at 8:15 p.m. (prevailing Eastern Time) on November 10, 2022 (the “Platform Pause”). After filing for chapter 11, the Debtors filed the Wallet Withdrawal Motion because they believe client holdings in BlockFi Wallet accounts as of the Platform Pause (the “Wallet Holdings”) belong to clients and should be returned to clients.

Following the Debtors’ filing of the Wallet Motion, two things happened.

First, the Official Committee of Unsecured Creditors (the “Committee”) advised that it was supportive of returning some Wallet Holdings to clients, but only if the BlockFi client with those holdings was not subject to avoidance claims, also known as clawbacks, under Chapter 5 of the Bankruptcy Code. Figuring out which clients might be subject to avoidance claims is a complex issue. The Committee’s diligence is ongoing.

Second, the members of the Ad Hoc Committee and Deferred 1031 — who are BlockFi clients who took actions after the Platform Pause — contended that their holdings should be treated the same as those clients who had Wallet Holdings at the time of the Platform Pause. The Debtors and Committee dispute that position, but the Ad Hoc Committee and Deferred 1031 have the right to have their arguments heard by the Court. The Debtors have provided them with information to help resolve the issue. The Ad Hoc Committee and Deferred 1031’s diligence also continues.

We understand many BlockFi customers want the Wallet Withdrawal Motion resolved promptly. So do we. We are posting this letter to advise that the parties are exchanging information and trying to resolve the matter amicably. Unless we can resolve the matter by agreement, we expect to ask the Court to resolve the second issue above—whether the holdings of the Ad Hoc Committee and Deferred 1031 should be treated as Wallet Holdings—on April 19, 2023. The Debtors are currently unable to make “partial” wallet distributions which prevents any distributions at this time.

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We appreciate your patience with this process and will provide another update at the hearing on March 13, 2023.

Sincerely,

**KIRKLAND & ELLIS LLP**  
**Counsel For the Debtors and Debtors in Possession**

*/s/ Michael Slade*

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Michael B. Slade

**BROWN RUDNICK LLP**  
**Counsel for the Official Committee of Unsecured Creditors**

*/s/ Kenneth J. Aulet*

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Kenneth J. Aulet

**TROUTMAN PEPPER HAMILTON SANDERS LLP**  
**Counsel for the Ad Hoc Committee**

*/s/ Deborah Kovsky-Apap*

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Deborah Kovsky-Apap

**LOEB & LOEB**  
**Counsel for Deferred 1031**

*/s/ Daniel B. Besikof*

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Daniel B. Besikof

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cc: Josh Sussberg, Christine Okike, Francis Petrie, Rob Jacobson, Kirkland & Ellis LLP  
Richard Kanowitz, Jordan Chavez, Haynes and Boone, LLP  
Michael Sirota, Rebecca Hollander, Felice Yudkin, Cole Schotz P.C.  
Robert Stark, Brown Rudnick LLP (Counsel to the Official Committee of Unsecured Creditors)